

## Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AGR-20 CIAE-00 COME-00 INR-10

LAB-06 NSAE-00 RSC-01 STR-08 TRSE-00 CIEP-02 OMB-01

L-03 AID-20 PA-03 PRS-01 USIA-15 DRC-01 /114 W

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R 071036Z SEP 73 ZDK

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 6381

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E.O. 11652: N/A

TAGS: EIND, TH

SUBJ: PRESS REPORTS THAT THAI PLAN TO DEMAND RENEGOTIATION  
OF PL 480 TEXTILE AGREEMENT

REF: BANGKOK 12003

1. BEGIN UNCLASSIFIED. BEGINNING AUG 25 BANGKOK'S THREE ENGLISH LANGUAGE AND SEVERAL THAI NEWSPAPERS HAVE CARRIED REPORTS THAT THAILAND WISHED TO RENEGOTITATE THE USG-RTG PL-480 SALES AGREEMENT.
2. THE LATEST ARTICLE TO APPEAR IN THIS SERIES QUOTED FINANCE MIN DR. SERM VINICCHAYAKAL AS SAYING THAT THAILAND "WILL RENEGOTIATE WITH THE USG TERMS FOR COTTON PURCHASES UNDER THE PL 480 PROGRAM." END UNCLASSIFIED

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3. NO MISSION ELEMENT HAS YET BEEN APPROACHED BY ANY RTG OFFICIAL ON THE SUBJECT OF RENEGOTIATING THE PL 480 AGREEMENT OR AMENDING IT. MOREOVER, LONG-STANDING CONTACTS IN MINISTRY OF FINANCE HAVE BEEN SILENT ON THIS SUBJECT. EMB HAS DELIBERATELY AVOIDED ASKING QUESTIONS ABOUT THE PRESS ACTIVITIES TO AVOID RAISING SUBJECT OF RENEGOTIATION.
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4. NEWS STORIES THAT HAVE APPEARED SO FAR RELY HEAVILY ON TEXTILE INDUSTRY AND THAI BOARD OF TRADE AS SOURCES. INDUSTRY SOURCES APPEAR MOST CRITICAL OF AGREEMENT PROVISION THAT CALLS FOR INCREASED PURCHASES OF COTTON FIBER IF THAI ANUAL TEXTILE EXPORTS TO US MARKET EXCEED QUANTITY EQUIVALENT OF 11,500 BALES OF COTTON FIBER. THIS PROVISION IS PORTRAYED AS FORCING THE THAI TO BUY INFERIOR COTTON FIBER AT EXCESSIVELY HIGH PRICES FROM A MONOPOLISTIC SUPPLIER. MOREOVER, THE ARTICLES NOTE THAT DURING THE FIRST FIVE MONTHS OF THIS YEAR THAILAND HAS EXPORTED IN TEXTILES THE EQUIVALENT OF 20,402 BALES OF COTTON TEXTILES, I.E., MORE THAN THE AGREEMENT ALLOWS FOR THE ENTIRE YEAR.

5. ARTICLES ALSO SINGLE OUT FOR ATTACK POTENTIAL US MARKET SHARE OF THAI RAW COTTON IMPORTS. ALSO OBJECTED TO ARE PROVISIONS OF PL 480 AGREEMENT WHICH CALL FOR THAI PURCHASES OF 91,500 BALES OF COTTON FROM THE US BEFORE AN ADVANTAGEOUS LONG-TERM CREDIT OF US 8 MILLION DOLLARS WILL BE GRANTED. THAI INDUSTRY SOURCES APPARENTLY FEAR THAT US PRICES FOR RAW COTTON FIBER WILL RISE WITH THAI BUYERS BEING UNABLE TO BARGAIN, SINCE THE PL 480 AGREEMENT COMMITS THE THAI TO PURCHASE ROUGHLY TWO THIRDS OF THEIR TOTAL COTTON FIBER REQUIREMENTS FROM THE US ALONE.

6. THE "PL 480 AID" THAT AMERICA IS GIVING THAILAND, IS DESCRIBED AS "AID" THAT BRINGS SURPLUS AMERICAN COTTON FIBER OF POOR QUALITY TO THAILAND WHILE RESTRICTING THAI EXPORTS FROM AN EXPANDING INDUSTRY. THE SAME ARTICLES ALLEGE THAT THE QUALITY OF US COTTON TO BE SOLD TO THAILAND UNDER THE PL 480 AGREEMENT IS SUITABLE ONLY FOR CRUDE "COUNTRY CLOTH", AND THAT THAILAND WILL BE HARD PRESSED TO FIND EXPORT MARKETS FOR SUCH PRODUCTS.

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**To:** STATE  
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